

**Approved Minutes
Timber Advisory Committee
April 25, 2013 Meeting**

The meeting was called to order by David J. Gau, Chairman, at 1:35 PM in Room 1009, State Board of Equalization (BOE), 160 Promenade Circle, Sacramento, California, with the following in attendance. A quorum was present.

**TIMBER ADVISORY
COMMITTEE (TAC) MEMBER**

David J. Gau, Chairman
Leslie Morgan
Charles Leonhardt
Mari Wilson
Susan Ranochak
George Gentry
Marty Olhiser
Lennart Lindstrand, Jr.

REPRESENTING

BOE
Assessor, Shasta County
Assessor, Plumas County
Assessor, Humboldt County
Assessor, Mendocino County
Board of Forestry Representative
Large-Scale Timber Owners
Small-Scale Timber Owners

OTHERS IN ATTENDANCE

Ken Thompson
David Yeung
Peter Murphy
George Felix
Mike Doyich
Art Tenneson
Robert Tucker

REPRESENTING

BOE, SAPD, Timber Tax Section
BOE, SAPD, Timber Tax Section
BOE, SAPD, Timber Tax Section
BOE, SAPD, Timber Tax Section
BOE, SAPD, Timber Tax Section
BOE, SAPD, Timber Tax Section
BOE, SAPD, Timber Tax Section
BOE, Legal Department

Mike Mallory, the Siskiyou County Assessor was unable to attend the meeting.

1. Oath of Office/Election of Officers

In the absence of BOE Executive Director Cynthia Bridges, Robert Tucker, Assistant Chief Counsel for the Tax and Fee Programs Division administered the annual *Oath of Office*. The two members that were not present for the Oath of Office ceremony (Mike Mallory – illness, Leslie Morgan – en route) will be sworn in at a later date, prior to the fall meeting.

The next order of business was to elect this year's committee officers. Chuck Leonhardt made a motion to nominate David Gau to be the committee Chairman. Marty Olhiser seconded the motion, which passed with all in favor. Next, Marty Olhiser nominated Mari Wilson to be Vice-chairman and Secretary. The nomination was seconded by Chuck Leonhardt, and passed with all in favor.

2. Approval of the October 30, 2012 Meeting Minutes

Since no discussion, errors or omissions were offered regarding the previous meeting's minutes, Chuck Leonhardt motioned to approve the minutes from the October 20, 2012 meeting as presented. Susan Ranochak seconded the motion, which passed without objection.

3. Harvest Value Discussion for Period of July 1, 2013 – December 31, 2013

Timber Tax Senior Forest Property Appraiser Peter Murphy began the discussion on 2H13 suggested timber harvest values with a brief introduction. The recently completed 2012 Annual Report shows very little change, relative to 2011. Reported harvest volume is up about 2%, while reported taxable value is down 1%. Peter explained that a dash (-) in the Harvest Value Summary for 2H13 indicates no sales data, while an asterisk means *generally less than five (5) sales*. The lack of sales data for Size Class 1 logs is becoming much more common these days because fewer and fewer strictly big tree sales are sold and harvested in California. This is primarily due to a limited supply of large trees and a depressed timber market with unmotivated sellers not willing to part with big timber. Sales are generally a mixture of large, medium, and small diameter trees, with the smaller trees generally being in the majority. This leveling effect results in fewer Size Class 1 and 2 sales and a significantly larger number of Size Class 3 sales. Information on fewer than 5 sales is withheld from the public in order to protect the confidential information from sources that provide our staff with sales data. Peter explained how the log price index (maintained by staff) updates older sales and adjusts them to what they would sell for on the current appraisal date. A 2-year rolling average of sales that spans quarters in three different years is used for the appraisals. This practice helps to filter out the highs and lows in market fluctuations. He talked about the current export market just starting up for the year and how that outlet can introduce some volatility in the California log market.

a. Tables G & S, Green and Salvage Timber Harvest Values

Table G – To illustrate where the suggested values lie with respect to all of the appraisal data that was considered, Peter gave a range of values in TVAs 1, 2, 5, 6, and 7. These are the more significant revenue generating TVAs in the state. Following some minor discussion, Susan Ranochak motioned to approve Table G values as presented. Mari Wilson seconded the motion, which passed with all in favor.

Table S – Very little non-fire salvage sale information was collected for this value session. Only a couple of salvage values being suggested are based on actual sales. The vast majority of the suggested salvage values are based on the proven relationship that salvage is 75% of the green timber value. After a review of the salvage values, Len Lindstrand motioned to approve the suggested salvage timber values as presented. Chuck Leonhardt seconded the motion, which passed without objection.

b. Table 1, Miscellaneous Forest Products Harvest Values

There were not many suggested changes for miscellaneous forest products. Fuelwood miscellaneous (FWM) is up \$5.00 per cord. Pole values are up somewhat and this is in direct relation to the increase in saw log prices. Harvesting poles creates some logistical problems and requires more care. This results in higher logging and handling costs. Due to a limited supply of pole quality timber, and in order to motivate sellers to manufacture poles rather than saw logs, prices for poles must go up along with the saw log market. The SSM value is up \$10.00 per MBF which is also due to an increase in the saw log market. CM is up \$10 due once again to large diameter, high quality lodgepole pine being sold for log home construction. At the conclusion of the discussion on Table 1 values, Chuck Leonardt motioned to approve the Table 1 values as suggested. Len Lindstrand seconded the motion, which passed with all in favor.

4. Other Business

a. Modified Fire Schedule TVA 5 and TVA 7

The Chips and the Ponderosa Fires were major fires that burned in TVAs 5 & 7 in 2012. Due to an early winter, salvage harvesting was not completed by the end of 1Q'13. There is no significant new fire salvage sale information to indicate an increase or decrease in fire salvage values because purchase agreements from last year were renewed this year at last year's prices. The U.S. Forest Service is generally slow in putting up salvage sales because of layers of environmental review and public comment, but it is possible they may sell some fire salvage later this year. There is also an environmental consideration looming that could potentially slow or eliminate fire salvage harvesting. The U.S. Fish & Wildlife Service is considering whether or not to offer federal protection to the Black-backed Woodpecker as an endangered species, or as a species threatened with endangerment, under the federal Endangered Species Act (ESA). Burned timberland is prime habitat for this species of woodpecker. If this bird is listed it could slow or even halt fire salvaging indefinitely. Peter Murphy recommended the previous Modified Value Schedule be continued for second and third quarter 2013 at the existing values, but he didn't think continuing it through fourth quarter 2013 was necessary because the vast majority of fire salvage harvesting from these two fires would be completed before then.

Len Lindstrand disagreed and recommended the Modified be allowed to run through the end of 4Q13 at the same values. Mr. Lindstrand pointed out that some salvage operations are currently operating in difficult areas with steep terrain and that work is progressing slowly. This could potentially push salvaging operations past the end of third quarter. He also believed there is a potential for additional sales from other private ownerships as well as from the Forest Service. Peter said he would continue to monitor the situation and if significant harvesting was still on going the schedule could be continued, or updated using new sales information from the Forest Service and/or other private ownerships, should it become available. Another option would be to let the Modified expire at the end of third quarter and then use any late year fire sales to help

set salvage values in the normal salvage timber table (Table S), should harvesting continue in to 2014.

The final scenario discussed revolved around the upcoming fire season and the fact that California has just experienced a relatively dry winter. The 2013 fire season is potentially shaping up to be quite severe, making a completely new modified schedule a very real possibility. Based on all of this information and discussion, a motion to approve the Modified Value Schedule for second and third quarter 2013 as presented was made by Chuck Leonhardt and seconded by Len Lindstrand. The motion passed without objection.

b. Logging Code S Deduction Change

Peter Murphy provided a historical overview on the history of the cable logging deduction, and said that it is an average measure of the cost differential between tractor logging and skyline yarder logging as a statewide average. Timber Tax Staff collected confidential contract tractor and cable logging costs from various sources throughout the state. The data collected showed that the majority of *reported* cable harvesting is on the coast, about 70% of which is in TVAs 1 and 2. The methodology used the cost differential in each of the TVAs and weighted it by reported volume. The results indicated that the statewide average cable adjustment should be increased from \$50/MBF to \$60/MBF. After some minor discussion, and hearing no objections from private industry, Chuck Leonhardt made a motion to approve staff's recommendation to increase the cable logging adjustment to \$60/MBF. Marty Olhiser seconded the motion which passed without objection.

6. New Business

a. Possible Change to a Standing Committee

David Gau informed the committee that prior to 1995 the Timber Advisory Committee had always been a permanent standing committee. Once appointed and sworn in, members were considered to be in good standing and did not need to be reappointed and sworn in annually by the Board. TAC members remained on the committee for as long as they wanted to serve. In 1995 the Board changed TAC from a standing committee to an annually appointed committee. David said that the current Board is now considering returning TAC to a permanent standing committee in order to simplify logistics and red tape, with respect to annual appointments and administering the oath of office. He asked if there were any objections or concerns that needed to be addressed. Hearing no objections David said he would present this to the Board for their consideration.

b. Tentative Fall Meeting Date

Various fall meeting dates were discussed. Chuck Leonhardt made a motion that the tentative date for the fall TAC meeting (emphasizing tentative) will be November 7, 2013 at 1:30 PM at this same location and room. Mari Wilson seconded the motion, which passed with all in favor.

7. Adjourn

Before adjourning the meeting George Gentry wanted to acknowledge that a long time member of this committee, great mentor, and good friend George Belden recently passed away. George also served on many other committees for the Board of Forestry and Fire Protection. He will be sorely missed. On a lighter note, Leslie Morgan relayed to the committee Mike Mallory's best regards. Mike was unable to attend due to illness.

In fond memory and in recognition of his service, David Gau respectfully adjourned the meeting at 2:38 pm in honor of George Belden.